Supreme Court, U.S.
E D
JAN 22 1993
OFFICE OF THE CLERK

No. 92-1108

IN THE

Supreme Court of the United States

OCTOBER TERM, 1992

PERFORMANCE INDUSTRIES, INC.,
Petitioner,

v.

MORTON INTERNATIONAL, INC.,
Respondent.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Third Circuit

RESPONDENT'S BRIEF IN OPPOSITION

JEROME GILSON
Counsel of Record
RICHARD H. COMPERE
KATHLEEN E. BRENNAN
BARRY F. IRWIN
WILLIAN BRINKS OLDS HOFER GILSON & LIONE
455 N. Cityfront Plaza Drive
NBC Tower, Suite 3600
Chicago, Illinois 60611-5599
Telephone: (312) 321-4200

Counsel for Respondent

Of Counsel:
JAMES F. FOX
100 N. Riverside Plaza
Chicago, Illinois 60606

COUNTERSTATEMENT OF QUESTION PRESENTED

Petitioner questions whether a threat of litigation made at a settlement conference is a basis for a declaratory judgment action. In fact, the questions are:

1) Whether a reviewable split of circuit authority can be based on a one-sentence court of appeals affirmance;

2) Whether there can be a split of circuit authority on a question of fact, so as to justify Supreme Court review; and

3) Whether alleged remarks in the context of a trademark opposition can create a justiciable controversy.

STATEMENT UNDER RULE 29.1

Morton International, Inc. is the Respondent. It has no parent corporation, and has the following subsidiaries or affiliates which are not wholly-owned:

Morton Nichiyu Co., Ltd.

A & M Fabrica de Produtos Quimicos, Ltda.

Nippon Bee Chemical Co., Ltd. (Japan)

Nippon Bee Chemical Co., Ltd. (England)

Daihan Bee Chemical Co., Ltd.

Morton Yokohama, Inc.

Toray Thiokol Company, Ltd.

Toyo-Morton Limited

Ecuatoriana de Sal y Productos Quimicos C.A.

Morfecor C.A.

TABLE OF CONTENTS

	PAGE
COUNTERSTATEMENT OF QUESTIONS PRESENTED	i
RULE 29.1 STATEMENT	ii
TABLE OF CONTENTS	iii
TABLE OF AUTHORITIES	iv
STATUTORY PROVISIONS INVOLVED	v
COUNTERSTATEMENT OF THE CASE	1
SUMMARY OF REASONS FOR DENYING THE WRIT	4
REASONS FOR DENYING THE WRIT	5
A. The One-Sentence Affirmance Created No Circuit Conflict	5
B. Performance's Ellipsis Conceals A Contradiction	6
C. The Allegedly Conflicting Decisions Are Not In Conflict	7
D. Trademark Oppositions Do Not Generate Justiciable Controversies	9
CONCLUSION	11

TABLE OF AUTHORITIES

Cases: PAGE

Golden v. Zwickler, 394 U.S. 103 (1969) 7, 8
Kidder, Peabody & Co. v. Maxus Energy Corp., 925 F.2d 556 (2d Cir.), *cert. denied*, ____ U.S. ____, 111 S. Ct. 2829 (1991) 7
Red Lobster Inns, Inc. v. New Eng. Oyster House, Inc., 378 F.Supp. 1144 (S.D. Fla. 1974), *aff'd*, 524 F.2d 968 (5th Cir. 1975) 9, 10
Sweetheart Plastics, Inc. v. Illinois Tool Works, Inc., 439 F.2d 871 (1st Cir. 1971) 8
West Interactive Corp. v. First Data Resources, Inc., 972 F.2d 1295 (Fed. Cir. 1992) 8
Wuv's Int'l., Inc. v. Love's Enters., Inc., 200 U.S.P.Q. 273 (D. Colo. 1978) 9, 10

Rules:

Federal Rules of Civil Procedure Rule 12(b)(1) .. 3, 4, 7
Supreme Court Rule 10.1.(a) 4

Statutes:

Lanham Act Section 13, 15 U.S.C.A. § 1063 (West Supp. 1992) ..... v, 2, 9
Lanham Act Section 17, 15 U.S.C.A. § 1067 (West Supp. 1992) ..... v, vi, 9
Lanham Act Section 18, 15 U.S.C.A. § 1068 (West Supp. 1992) ..... vi, 9

Treatises:

2A James Wm. Moore et al., *Moore's Federal Practice* ¶ 12.07[2.-1] at 12-49 (2d Ed. 1992) 4, 5

STATUTORY PROVISIONS INVOLVED

In addition to the section of the Judicial Code reproduced in the petitioner's appendix at page A-1, the following sections of the Lanham (Trademark) Act are relevant:

Opposition

Filing an Opposition

Lanham Act Section 13, 15 U.S.C.A. § 1063 (West Supp. 1992). (a) Any person who believes that he would be damaged by the registration of a mark upon the principal register may, upon payment of the prescribed fee, file an opposition in the Patent and Trademark Office, stating the grounds therefor, within thirty days after the publication under subsection (a) of section 12 of this Act of the mark sought to be registered. Upon written request prior to the expiration of the thirty-day period, the time for filing opposition shall be extended for an additional thirty days, and further extensions of time for filing opposition may be granted by the Commissioner for good cause when requested prior to the expiration of an extension. The Commissioner shall notify the applicant of each extension of the time for filing opposition. An opposition may be amended under such conditions as may be prescribed by the Commissioner.

Trademark Trial and Appeal Board

Lanham Act Section 17, 15 U.S.C.A. § 1067 (West Supp. 1992). In every case of interference, opposition to registration, application to register as a lawful concurrent user, or application to cancel the registration of a mark, the Commissioner shall give notice to all parties and shall direct a Trademark Trial and Appeal Board to determine and decide the respective rights of registration.

The Trademark Trial and Appeal Board shall include the Commissioner, the Deputy Commissioner, the Assistant Commissioners, and members appointed by the Commissioner. Employees of the Patent and Trademark Office and other persons, all of whom shall be competent in trademark law, shall be eligible for appointment as members. Each case shall be heard by at least three members of the Board, the members hearing such case to be designated by the Commissioner.

Powers of Commissioner

Lanham Act Section 18, 15 U.S.C.A. § 1068 (West Supp. 1992). In such proceedings the Commissioner may refuse to register the opposed mark, may cancel the registration, in whole or in part, may modify the application or registration by limiting the goods or services specified therein, may otherwise restrict or rectify with respect to the register the registration of a registered mark, may refuse to register any or all of several interfering marks, or may register the mark or marks for the person or persons entitled thereto, as the rights of the parties hereunder may be established in the proceedings: Provided, That in the case of the registration of any mark based on concurrent use, The Commissioner shall determine and fix the conditions and limitations provided for in subsection (d) of section 2 of this Act. However, no final judgment shall be entered in favor of an applicant under section 1(b) before the mark is registered, if such applicant cannot prevail without establishing constructive use pursuant to section 7(c).

No. 92-1108

IN THE

Supreme Court of the United States

OCTOBER TERM, 1992

PERFORMANCE INDUSTRIES, INC.,

Petitioner,

v.

MORTON INTERNATIONAL, INC.,

Respondent.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Third Circuit

RESPONDENT'S BRIEF IN OPPOSITION

Respondent, Morton International, Inc. ("Morton"), respectfully requests that this Court deny the petition of Performance Industries, Inc. ("Performance") for a writ of certiorari, which seeks review of the judgment of the United States Court of Appeals for the Third Circuit reprinted in the appendix to the petition at pages A-2 and A-3.

COUNTERSTATEMENT OF THE CASE

Morton has manufactured and sold ice and snow melting preparations throughout the United States under the SAFE-T-SALT trademark for over thirty years. It owns

two federal trademark registrations for SAFE-T-SALT.[1] On April 18, 1990, Performance applied in the United States Patent and Trademark Office ("PTO") to register the trademark SAFE-T-THAW for an ice and snow melting preparation.

On January 7, 1991 Morton opposed registration of the SAFE-T-THAW mark under the Lanham Act Section 13, 15 U.S.C.A. §1063 (West Supp. 1992), based on the confusing similarity between Performance's SAFE-T-THAW mark and Morton's prior SAFE-T-SALT marks for directly competing products. Several months later, on April 16, 1991, the parties met to discuss a possible resolution of the pending opposition. At the meeting, Morton proposed that Performance make a minor change in its mark in order to lessen or avoid likely confusion. Morton offered to assist in the changeover costs.

At no point during the settlement meeting did Morton's representatives threaten or even mention the possibility of an infringement action, a temporary restraining order, or injunctive relief against Performance. The meeting was cordial, ending with Performance promising to consider Morton's offer. Performance's attorney later wrote Morton:

> It was a pleasure to meet [Morton] on Tuesday and we certainly appreciate your coming to Philadelphia to talk with us. We certainly appreciate also, the spirit of your offer to try to reach a settlement of this matter without recourse to litigation.

---

[1] Morton owns federal trademark Registration No. 843,076 for the mark SAFE-T-SALT and design, registered in January, 1968, and federal trademark Registration No. 1,411,910 for the mark SAFE-T-SALT, registered in October, 1986. Reference to the SAFE-T-SALT trademark includes both the SAFE-T-SALT and SAFE-T-SALT and design registered trademarks.

However, the parties did not reach a settlement, and the opposition proceeded.

Performance filed its answer on May 23, 1991, and on June 14, 1991 the Trademark Trial and Appeal Board mailed discovery and further briefing schedules to the parties. On June 21, 1991 Morton served interrogatories and document production requests on Performance, whose counsel requested additional time to respond. Then, without warning, on August 1, 1991 Performance filed a complaint for declaratory judgment in the district court. For the first time, Performance asserted that Morton's representatives at the April settlement meeting had threatened court action.

Performance filed its declaratory judgment action over seven months after Morton filed its opposition, and three and one half months after the settlement meeting. It based subject matter jurisdiction on Morton's filing of the opposition, as well as on alleged threats of court action made by Morton during the meeting. Morton's representatives swore that they made no such threats, and Performance came to admit (and the district court held) that under settled law the opposition itself could form no basis for a declaratory action. There being no justiciable controversy, Morton moved under Rule 12(b)(1) of the Federal Rules of Civil Procedure to dismiss the action for want of subject matter jurisdiction.

The district court on March 6, 1992 found Performance's alleged perception of threat of suit to be unreasonable, and that the filing of the underlying opposition could not form a basis for jurisdiction. Concluding that there was no justiciable controversy, the district court dismissed Performance's complaint. (Pet. at A-4, A-9.)[2]

---

[2] "Pet." references are to Performance's petition for writ of certiorari. "A-" references are to the appendix attached thereto.

Performance appealed to the Third Circuit Court of Appeals. The parties briefed the case fully and, on September 22, 1992, participated in a very spirited oral argument before a three-judge panel. Eight days later the court handed down a one-sentence affirmance of the district court. (Pet. at A-2.) Performance did not move for a rehearing, and did not attempt to stay the mandate. The court of appeals issued a true copy of the judgment order in lieu of a formal mandate on October 22, 1992. (Pet. at A-3.)

SUMMARY OF REASONS FOR DENYING THE WRIT

The court of appeals decision contains no reasoning or analysis, and there is no way to discern its *ratio decidendi*. Obviously the court found Performance's appeal meritless, but attributing one or another position to the court as Performance attempts is sheer guesswork. The court of appeals decision thus cannot be in conflict with the decision of another court of appeals for purposes of applying Supreme Court Rule 10.1.(a). In effect, Performance is simply rearguing its position that the *district court* was wrong. The petition, an undisguised bootstrap attempt at review, should be denied on this ground alone.

Morton's Rule 12(b)(1) motion to dismiss attacked district court jurisdiction factually. The district court weighed the evidence to determine if Performance had a reasonable apprehension of being sued, and concluded it did not. That fact finding was subject to reversal by the court of appeals only if it was clearly erroneous. 2A James Wm. Moore et al., *Moore's Federal Practice* ¶ 12.07 [2.-1] at

12-49 (2d Ed. 1992). The court of appeals found no error of any kind.

Performance cannot convert an issue of fact, found by the district court and not disturbed by the court of appeals, into a question for Supreme Court review. Morton made no threats of litigation and, in any event, Performance had no reasonable apprehension of being sued. Whether threats of litigation can form such an apprehension (and a justiciable controversy) in *other* cases turns exclusively on their facts.

Moreover, Morton was pursuing its Lanham Act remedies in a trademark opposition in the PTO when Performance filed suit. Since the pendency of an opposition does not, without more, create a justiciable controversy, remarks made during the course of an opposition do not either.

REASONS FOR DENYING THE WRIT

A. The One-Sentence Affirmance Created No Circuit Conflict.

The sum total of the judgment order of the court of appeals, claimed to create a conflict with the First and Second Circuits, is as follows, (Pet. at A-2):

> After consideration of all contentions raised by appellant,
>
> IT IS ADJUDGED AND ORDERED that the judgment of the district court be and is hereby affirmed.

The judgment of the district court, in turn, is set forth in a one-paragraph ORDER, (Pet. at A-9), dismissing the complaint for lack of subject matter jurisdiction.

In its Memorandum, (Pet. at A-4, A-8), the district court recognized the jurisdictional facts of life: the burden of proving jurisdiction is on the party asserting it, the trial court may weigh the evidence to determine whether it has jurisdiction, and the existence of disputed material facts does not prevent the court from making its determination. (Pet. at A-4, A-5.) The court then reviewed the facts and found, (Pet. at A-7), "that the evidence fails to establish that Morton's acts could have caused Performance to have a 'reasonable apprehension' of being sued for infringement." The court of appeals quickly affirmed.

But in a stunning leap of logic Performance argues that, by affirming, the Third Circuit took "the position that a threat of infringement at a settlement conference does not give the threatened party a reasonable apprehension of being sued." (Pet. at 5.) In fact, *neither* court took this position. The district court simply held that Performance did not meet its burden of proof *on the facts of this case*, and the court of appeals affirmed. Whether or not a reasonable apprehension is created is a fact-intensive inquiry. Neither court propounded what Performance characterizes as a rule of law or a *per se* rationale.

B. Performance's Ellipsis Conceals A Contradiction.

Performance's tell-tale ellipsis, (Pet. at 5), effectively guts its entire Petition. Perhaps hoping that neither Morton nor this Court would notice, Performance bases its core argument on the italicized sentence *after* the deletion. It not so cleverly omitted the sentence which lay at the very heart of the district court's holding. Why was concealment so important? The answer is obvious from the following *entire* quotation, (Pet. at A-8), with Performance's deletion emphasized:

> Accepting as true Mr. Hing's notes of the Opposition settlement meeting, the court still finds that Performance has failed to show that Morton's conduct could have caused Performance to have a reasonable apprehension of being sued. *First, Mr. Hing's notes are too inconclusive as to the statements Morton's representatives made and give the court little basis for finding that Morton's conduct could have caused a reasonable apprehension of being sued.* Also, because any remarks Morton's representatives made, either concerning infringement or injunctive action, arose in the context of a meeting to settle the Opposition proceeding, such remarks are not sufficient to create an "actual controversy."

The primary reason for the court's fact finding thus was the inadequacy of Performance's evidence, not a *per se* rule of law which applies irrespective of the factual setting.

C. The Allegedly Conflicting Decisions Are Not In Conflict.

As with the instant case, Performance's cases do not involve any kind of *per se* rule that all (or no) threats of infringement create justiciable controversies. In each case where declaratory jurisdiction is tested by a Rule 12(b)(1) motion, the court must do what the district court did here. It must analyze the particular facts to determine whether there is a reasonable apprehension of suit. The Second Circuit, in *Kidder, Peabody & Co. v. Maxus Energy Corp.*, 925 F.2d 556 (2d Cir.), *cert. denied*, ____ U.S. ____, 111 S. Ct. 2829 (1991), one of the cases Performance says conflicts with the Third Circuit in this case, followed this view by quoting this Court's opinion in *Golden v. Zwickler*, 394 U.S. 103, 108, as follows:

> [T]he question in each case [in which a declaratory judgment is sought] is whether the facts alleged,

> under all the circumstances, show that there is a substantial controversy, between the parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment. [The Second Circuit then went on to state:] Whether a real and immediate controversy exists in a particular case is a matter of degree and must be determined on a case-by-case basis. In reviewing the trial court's exercise of discretion to grant or refuse declaratory relief, we may reverse where we find that the exercise was erroneous.

925 F.2d at 562 (citations omitted).

Under this rationale the Court upheld declaratory judgment jurisdiction based on the defendant's expressed intention to file suit after a ten day "standstill" period. It further held that the defendant's later assurances, that it would not assert certain Securities Act claims against the plaintiff, did not moot federal jurisdiction.

Performance's remaining cases were also decided on factual grounds and not on the basis of a *per se* rule. In *West Interactive Corp. v. First Data Resources Inc.*, 972 F.2d 1295 (Fed. Cir. 1992), the oral statements made during license negotiations were "more akin to jawboning . . . than to threatening litigation," 972 F.2d at 1298, and the so-called threat was made by someone who was unconnected with the defendant. The court affirmed the district court holding that the defendant "did not engage in conduct sufficient to give [plaintiff] a reasonable apprehension of suit." *Id. Sweetheart Plastics, Inc. v. Illinois Tool Works, Inc.*, 439 F.2d 871 (1st Cir. 1971), similarly does not create a semblance of circuit conflict. There the court actually affirmed the dismissal of the complaint, based in part on the lack of declaratory judgment jurisdiction. Although the plaintiff was able to show a threat of suit for patent infringement, it could not show it had actually produced

or made active preparation to produce the accused device, a prerequisite in a patent case.

Since all such cases ultimately turn on their facts, there can be no conflict in the circuits merely because the facts are different. The rule of law remains the same, and it is the same one which was applied by the district court here and affirmed *sub silentio* by the Third Circuit.

D. Trademark Oppositions Do Not Generate Justiciable Controversies.

None of the cases relied upon by Performance involved our special circumstances. These cases involved the Patent Act and the Securities Act, not a declaratory judgment action filed during the pendency of a trademark opposition in the PTO.

A trademark opposition filed in the PTO is an administrative proceeding in which a trademark owner objects to federal registration being granted for a confusingly similar trademark (SAFE-T-SALT v. SAFE-T-THAW, e.g.). The procedure is set forth in the Lanham Act, 15 U.S.C.A. §§ 1063, 1067-68 (West Supp. 1992) (set forth at v-vi, *supra*). An opposition does not involve a charge of trademark infringement or raise the possibility of judicial remedies such as injunctions or damages. The district court relied on the cases, (Pet. at A-7, A-8), holding that the filing of such an opposition is not, *per se*, sufficient to create an "actual controversy" under the Declaratory Judgment Act. It went on to state that ". . . remarks concerning infringement that are made by a deponent during an opposition proceeding do not constitute a charge or threat of infringement. *See Red Lobster Inns, Inc. v. New Eng. Oyster House, Inc.*, 378 F.Supp. 1144 (S.D. Fla. 1974), *aff'd*, 524 F.2d 968 (5th Cir. 1975); *Wuv's Int'l, Inc. v.*

Love's Enters., Inc., 200 U.S.P.Q. 273 (D. Colo. 1978)." Both of these decisions squarely support the district court sentence after the ellipsis. Performance does not question or attempt to distinguish them.

In *Red Lobster* the declaratory judgment plaintiff, to establish a justiciable controversy, relied on so-called threats of an infringement action made by an opposer during a deposition. The court rejected the argument, stating: "If the filing of an opposition proceeding does not constitute a justiciable claim under the trade-mark laws, then it would strain logic to find, as plaintiff has urged, that a justiciable claim arises merely because plaintiff sought to depose the objector in connection with the administrative proceedings." 378 F. Supp. at 1146. Similarly, if Morton's filing of an opposition itself does not create a justiciable controversy, it would strain logic to hold that alleged remarks made during opposition settlement negotiations did. The alleged threats in *Red Lobster* and in *Wuv's*, neither creating justiciable controversies, were made in depositions under adversarial circumstances. Here they were alleged to be made in a settlement meeting later characterized by Performance's attorney as friendly. Was there a reasonable apprehension of suit? Certainly not.

CONCLUSION

Performance has failed to establish a cognizable split of authority between the circuits. There was no discernible reasoning in the Third Circuit one-sentence affirmance, and the district court applied the correct legal standard in reviewing Performance's factual contentions. The ellipsis was a dead giveaway. The Petition clearly should be denied.

Respectfully submitted,

JEROME GILSON
Counsel of Record
RICHARD H. COMPERE
KATHLEEN E. BRENNAN
BARRY F. IRWIN
WILLIAN BRINKS OLDS HOFER
GILSON & LIONE
455 N. Cityfront Plaza Drive
NBC Tower, Suite 3600
Chicago, Illinois 60611-5599
Telephone: (312) 321-4200
Counsel for Respondent

Of Counsel:
JAMES F. FOX
100 N. Riverside Plaza
Chicago, Illinois 60606